

**BASS**  
**BERRY • SIMS<sub>PC</sub>**

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February 11, 2011

Via Hand-Delivery

Chairman Mary W. Freeman  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

filed electronically in docket office on 02/11/11

**Re: *Petition Of Tennessee American Water Company To Change And Increase  
Certain Rates And Charges So As To Permit It To Earn A Fair And Adequate  
Rate Of Return On Its Property Used And Useful In Furnishing Water Service  
To Its Customers***  
**Docket No. 10-00189**

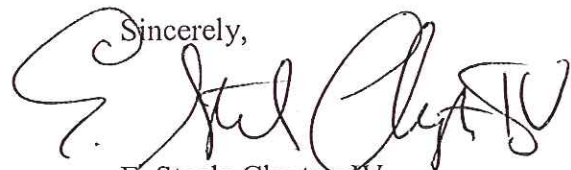
Dear Chairman Freeman:

Enclosed please find an original and five (5) copies of Tennessee American Water Company's Supplemental Responses to the Consumer Advocate and Protection Division's First Set of Discovery Requests, Questions 81, 111 and 119, and to their Second Set, Question 3. These Supplemental Responses are intended to update our Responses in light of the Company's February 8, 2011 filing of its rebuttal testimony. In addition to the specific Responses supplemented here, to the extent the Company's rebuttal testimony is applicable to any other Response, the Company hereby incorporates its rebuttal testimony as a supplement to its previous responses. This material is being filed today by way of email to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon also.

Please file the original and four copies of this material and stamp the additional copy as "filed". Then please return the stamped copy to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

Sincerely,



E. Steele Clayton IV

ESCIV/smb  
Enclosures

Chairman Mary Freeman

February 11, 2011

Page 2

cc: Hon. Sara Kyle (*w/o enclosure*)  
Hon. Eddie Roberson (*w/o enclosure*)  
Richard Collier, Esq. (*w/o enclosure*)  
Mr. David Foster, Chief of Utilities Division (*w/o enclosure*)  
Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division (*w/o enclosure*)  
Ryan McGehee, Esq. (*w/enclosure*)  
Mary L. White, Esq. (*w/enclosure*)  
David C. Higney, Esq. (*w/enclosure*)  
Henry M. Walker, Esq. (*w/enclosure*)  
Michael A. McMahan, Esq. (*w/enclosure*)  
Valerie L. Malueg, Esq. (*w/enclosure*)  
Frederick L. Hitchcock, Esq. (*w/enclosure*)  
Harold L. North, Jr., Esq. (*w/enclosure*)  
Mark Brooks, Esq. (*w/enclosure*)  
Scott H. Strauss, Esq. (*w/enclosure*)  
Katharine M. Mapes, Esq. (*w/enclosure*)  
Donald L. Scholes, Esq. (*w/enclosure*)

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
SUPPLEMENTAL DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**        **Michael A. Miller**

**Question:**

81. Identify each and every person whom the company expects to call as an expert, fact, or other witness at the hearing on the merits of this matter, or for whom the company expects to file Direct or Rebuttal Testimony. For each expert identified, please identify and produce:
- a. The subject matter on which the expert is expected to testify, any data, documents, materials, or other information shown to, relied upon, created by or considered by the witness as part of this case, any exhibits to be used by the witness, a full resume for the witness, the compensation to be paid for the testimony or, if a permanent employee of the company, the salary paid to the witness, and a listing of any other cases in which the witness has testified at trial, by deposition, or submitted written testimony.
  - b. Any and all engagement letters, expert reports and work papers (including drafts, if found to be discoverable and not overly broad or unduly burdensome by the TRA) created by or provided to any expert, fact or other witness.
  - c. A copy of any and all trade articles, journals, treatises, speeches and publications of any kind in any way utilized or relied upon by any of the company's proposed witnesses in evaluating, reaching conclusions or formulating an opinion in this matter, as well as articles, journals speeches, or books written by any company witness.

**Response:**

- a. The Company objects to this question on the grounds that the requested information is unduly burdensome, overly broad, and contains information subject to attorney/client privilege.

At this time, the Company intends to offer the testimony and exhibits thereto that it has already filed in this case, and may rely on some or all of the responses it has provided to TRA data requests and the intervenors' discovery. The Company does not know at this time if additional testimony or exhibits will be offered, including but not limited to rebuttal testimony. The Company will seasonably supplement its responses. The list of cases in which appearances have been made by Dr. Vander Weide and Paul Herbert are attached to their testimony, and Mr. Baryenbruch's testimony history has been provided in previous CAPD discovery. Dr. Spitznagel's consulting history is provided in the schedules attached and identified as TN-CAPD-SUPPLEMENTAL-Q81-ATTACHMENT 1. Mr. Miller has testified in numerous proceedings before the public utility commissions of West Virginia, Kentucky, Tennessee and Virginia, including every WAWC rate case since 1991, every KAWC rate case since 2000, every TAWC rate case since 2000, the rate cases for VAWC in 2000, 2003 and 2009, the Divestiture Cases for KAWC and WVAWC, all of which can be found on the various commission websites. Ms. Miller has appeared in all TAWC and KAWC rate cases since 2000.

- b. Pursuant to the agreement reached by the Company, the intervenors and the TRA, the requested information is not discoverable except for the workpapers relied on and that support the expert's testimony. The working papers utilized by the Company's witnesses have been previously provided in response to TN-TRA-01-Q13.
- c. See the Company's response to part a. above.

**December 8, 2010 Supplemental Response:**

- b. See the attached document identified as TN-CAPD-SUPPLEMENTAL-Q81-ATTACHMENT 2.

**February 11, 2011 Supplemental Response:**

- a. Please see the rebuttal testimony and exhibits attached thereto filed by the Company on February 8, 2011, including that of Mr. Bernard Uffelman and Mr. James Warren. Mr. Uffelman's resume is provided in Appendix 1 to Rebuttal Exhibit BLU-1. Appendix 1 also contains a list of Mr. Uffelman's Presentations, Publications and a list of cases where Mr. Uffelman has presented testimony. Mr. Warren's qualifications are found in his rebuttal testimony and in the biographical information that is attached hereto as TN-CAPD-SUPPLEMENTAL-Q81-ATTACHMENT 3. Mr. Warren's rate case testimony history and a list of his Speeches and Publications is also included in ATTACHMENT 3.
- c. See the Company's response to part a. above.



## James I. Warren, Partner

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*+1 (202) 282-5850*  
*jwarren@winston.com*

### *Related Legal Services*

Energy Industry Transactions  
Federal Tax Planning  
Federal Tax Controversy

### *Related Industries*

Energy and Utilities

### *Law School*

New York University  
JD, 1975  
New York University  
LLM, 1979

### *Bar Admissions*

District of Columbia  
New York  
New Jersey

James Warren is a partner in the firm's Washington, D.C. office who focuses his practice on utility taxation.

Mr. Warren represents utilities in tax controversies with the IRS at the audit and appeals level and in connection with applications to the IRS national office for private letter rulings and technical advice requests. He also provides operational and transactional tax advice.

Mr. Warren has developed strategic analyses of the tax consequences of deregulation and restructuring for electric industry clients and has developed financial and regulatory options for minimizing the impact of taxes incurred during that process. He also advises clients adapting to changes in the electric and gas industries, including the structuring of fossil fuel and nuclear plant transfers (including decommissioning liabilities for the latter); the realignment of contractual relationships; the structural reconfiguration of businesses; and many of the regulatory implications of these activities.

Mr. Warren has served as an expert tax witness in state utility proceedings for gas, electric, and water companies before the FERC and state utility commissions in Florida, California, Louisiana, Nevada, Illinois, New Jersey, New York, Connecticut, Pennsylvania, Missouri, Kentucky, Delaware, Texas, and West Virginia. He has testified on legislative and administrative issues relative to the utility industry before several Congressional committees and subcommittees and at Department of Treasury hearings.

### *Activities*

Mr. Warren is a past chair of the ABA Section of Taxation, Committee on Regulated Public Utilities.

### *Education*

Mr. Warren received a B.A. in Political Science in 1971 from Stanford University. He received a J.D. in 1975 and an LL.M. in 1979 from New York University School of Law and an M.S. in Accounting in 1980 from New York University's Leonard N. Stern School of Business.

### *Speeches and Publications*

Mr. Warren frequently speaks before utility, tax, finance, and legal executives.

**Speeches & Presentations  
by  
James I. Warren  
2006 - 2010**

DATE	CONFERENCE	TITLE
6/2010	AGA/INGAA Tax Committee, Montreal, Canada	Impact of Taxes on Utility Rates
6/2010	EEL Tax School, Boston, Massachusetts	Taxes & Ratemaking
11/2009	EEL Taxation Committee, Tampa, Florida	Repairs and Maintenance
3/2009	SNL EXNET 24 <sup>th</sup> Annual Utility Tax Conference, Pentagon City, Virginia	Just Plain Debt
11/2008	EEL Taxation Committee, New Orleans, Louisiana	Taxes in Regulation
9/2008	State Tax Roundtable for Utilities & Power Conference, Greensburg, Pennsylvania	Allocating State Taxes
06/2008	American Gas Association/Interstate Natural Gas Association of America, San Diego, California	The Regulatory Implications of Everything!
05/2008	Energy Association of Pennsylvania, Camp Hill, Pennsylvania	Federal Tax Update
03/2008	EXNET 23 <sup>rd</sup> Annual Utility Tax Conference, Washington, DC	RECS—Are They Really Kosher?
11/2007	EEL Taxation Committee, Tucson, Arizona	Regulations, Rulings and Court Cases
06/2007	AGA/EEL Accounting Leadership Conference, Santa Ana Pueblo, New Mexico	Death & Taxes: Not Much of a Choice
06/2007	EEL Taxation Committee, Baltimore, Maryland	Update on Cases and Rulings
03/2007	TEI Mid-Year Utility Industry Meeting, Washington, DC	Utility Industry Session
02/2007	EEL Intermediate Tax School, Washington, DC	Tax Planning in a Regulated Environment
11/2006	EEL Taxation Committee Meeting, Miami, Florida	Regulations, Rulings and Court Cases Update
10/2006	TEI Annual Conference, Scottsdale, Arizona	Utility Industry Session
09/2006	Public Service Commission, State of Delaware, Dover, Delaware	Informational Workshop: Tax Issues
06/2006	EEL/AGA Accounting Leadership Conference, Cambridge, Delaware	Tax Developments
06/2006	AGA/INGAA Taxation Committee Meeting, Newport, Rhode Island	Regulatory Tax Developments

DATE	CONFERENCE	TITLE
06/2006	EEI Taxation Committee Meeting, San Francisco, CA	Regulatory Tax Developments: The Mother of All Members' Problems
05/2006	KPMG LLP Power & Utilities Tax Practices Share Forum, Phoenix, Arizona	Tax Normalization: Breaking Up is Hard to Do
03/2006	EXNET Annual Utility Tax Conference, Washington, DC	Repair Allowance—Old and New

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
SUPPLEMENTAL DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**        **Michael A. Miller**

**Question:**

111. Provide the analysis "that addresses changes in terminology, changes in functions performed by AWWSC, changes in allocations to non-regulated subsidiaries, results of the customer versus cost causative allocation methodology study, and updated corporate structure and organization charts that would provide the TRA with a current view and analysis of the AWWSC organization at the time of the 1989 Service Company Agreement. That analysis will be completed in the next month, at which time it will be filed with the TRA for review." (Per Rebuttal Testimony, Mr. Mike Miller, Page 47, Lines 27-31, Page 48, Lines 1-3, Virginia American Water Company, Case No. PUE-2010-00001). Include in your response all work papers utilized in the study in excel format with all formulas intact, a description of the methodology or methodologies utilized in the study, identify the authors and contributors to the study, and identify what witness will sponsor the study as evidence in this matter and all facts underlying the expert's opinion.

**Response:**

The Company objects to this request on the grounds that it is overly broad, unduly burdensome and seeks information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, the Company is in the process of completing this analysis. The Company will supplement this response once the final analysis is completed.

**February 11, 2011 Supplemental Response:**

Please see the Company's December 29, 2010 supplemental response to CAPD-01-PART III-Q110 and the accompanying attachment for the completed analysis. The

analysis is also contained in Mr. Bernard Uffelman's rebuttal testimony and the exhibits attached thereto, filed on February 8, 2011.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
SUPPLEMENTAL DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**        **Michael A. Miller**

**Question:**

119. Identify the experts that will testify on any issues discussed in TRA Staff Data Requests 109-111 and the Company's corresponding responses to TRA Staff Data Requests 109-111 and provide all facts, documents, work papers and the underlying rationale supporting their opinion.

**Response:**

The Company did not present decoupling as part of its rate case. Accordingly, at this time, the Company has not made this determination. The Company will supplement this response if appropriate or required.

**February 11, 2011 Supplemental Response:**

Although the Company is not presenting decoupling as part of its rate case, Mr. Michael Miller addressed decoupling in his rebuttal testimony because decoupling was brought up as an issue in the direct testimony of the other parties. The Company filed Mr. Miller's rebuttal testimony and the exhibits thereto on February 8, 2011.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
SECOND DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:**        **Michael A. Miller**

**Question:**

3.     Please provide the costs and accounts charged by consultant incurred in this docket for Pat Schumaker, Bernard Uffelman and any other consultant hired subsequent to TAWC's rate filing in Docket 10-00189.

**Response:**

Pat Schumaker is the TRA's expert witness and has not been retained as a consultant or expert by TAWC in this case. Accordingly, there are no charges or costs incurred by the Company with respect to Ms. Schumaker. To date the Company has not processed any invoices for consulting charges from Bernard Uffelman regarding work related to Docket 10-00189. The Company estimates that the charges for Mr. Uffelman's work regarding the study comparing the charges to TAWC from AWWSC using "cost causative" allocations versus customer allocations filed in Docket 09-00086 and provided in this case in its supplemental response to TN-CAPD-01-Q110 will be \$3,500. The Company expects Mr. Uffelman to provide rebuttal testimony in this case based on an hourly rate that is currently being negotiated. In addition, the Company may call Mr. James W. Warren as a rebuttal witness regarding income tax issues raised in the testimony of Mr. Buckner. The Company expects Mr. Warren's engagement to be based on an hourly rate. The Company will seasonably supplement this response regarding hourly rates.

**February 11, 2011 Supplemental Response:**

The professional fees and expenses incurred for Bernard Uffelman related to the Customer Based Cost Allocation Study in Docket No. 09-00086 was \$3,068.29. Mr. Uffelman's hourly rate to provide rebuttal testimony in Docket No. 10-00189 is \$300. The hourly rate for Mr. James Warren to provide rebuttal testimony and appear at the hearing if required is \$723.80.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

**PETITION OF TENNESSEE AMERICAN )  
WATER COMPANY TO CHANGE AND )  
INCREASE CERTAIN RATES AND )  
CHARGES SO AS TO PERMIT IT TO )  
EARN A FAIR AND ADEQUATE )  
RATE OF RETURN ON ITS PROPERTY )  
USED AND USEFUL IN FURNISHING )  
WATER SERVICE TO ITS CUSTOMERS )**

**DOCKET NO. 10-00189**

**AFFIDAVIT**

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

I, MICHAEL A. MILLER, Treasurer/Comptroller for Tennessee American Water Company, do hereby certify that the foregoing responses to the Supplemental Responses to the Consumer Advocate and Protection Division, City of Chattanooga and Chattanooga Regional Manufacturers Association were prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 9<sup>th</sup> day of February, 2011.

Michael A. Miller  
(signature)

Michael A. Miller  
(printed name)

Sworn to and subscribed before me this 9<sup>th</sup> day of February, 2011.

Lisa R. Brooks  
NOTARY PUBLIC

My Commission Expires:

September 7, 2019



## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served by way of the method(s) indicated, on this the 11<sup>th</sup> day of February, 2011, upon the following:

<input checked="" type="checkbox"/> Hand-Delivery	Ryan McGehee, Esq.
<input type="checkbox"/> U.S. Mail	Mary L. White, Esq.
<input type="checkbox"/> Facsimile	Counsel for the Consumer Advocate
<input type="checkbox"/> Overnight	and Protection Division
<input checked="" type="checkbox"/> Email	OFFICE OF THE ATTORNEY GENERAL
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